

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 1708

INFO AMEMBASSY JAKARTA

AMCONSUL HAMBURG

C O N F I D E N T I A L BONN 15129

E.O. 11652: GDS

TAGS: ENRG, ETRD, EIND, GW, ID

SUBJECT: GERMAN FIRM PURCHASES INDONESIAN OIL

REF: (A) BONN'S A-103 OF APRIL 15, 1976

(B) JAKARTA 8337

1. SUMMARY. ECONMINISTRY AND VEBA OFFICIALS CONFIRM THAT VEBA HAS ACQUIRED SIGNIFICANT AMOUNT OF INDONESIAN CRUDE, WHICH GOI HAS SUPPLIED TO GERMAN STEEL FIRMS IN PARTIAL PAYMENT FOR KRAKATAU COMPLEX. END SUMMARY.

2. USING AUGUST 9 PIW REPORT THAT VEBA HAD MADE THREE-YEAR DEAL FOR ANNUAL 2 MILLION TONS OF PERTAMINA CRUDE AT CUT-RATE PRICE, WE QUERIED CONTACTS IN ECONMINISTRY ENERGY SECTION AND VEBA HEADQUARTERS. ECONMINISTRY SOURCE WAS UPSET OVER PIW LEAK. HE CONFIRMED THRUST OF ARTICLE, ADDING THAT DEAL HAD BEEN COMPLICATED BY NEED FOR PRECAUTIONS TO SHIELD GOI AGAINST OPEC CHARGES OF PRICE-CUTTING.

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3. VEBA OFFICIAL SEPTEMBER 3 CONFIRMED THAT VEBA HAS ACQUIRED PERTAMINA OIL, ON BASIS APPROACH MADE SOME MONTHS AGO BY GERMAN STEEL FIRMS INVOLVED IN KRAKATAU PROJECT. HE SAID QUANTITY IS "AROUND 3-5 PERCENT" OF VEBA'S TOTAL REFINING CAPACITY (I.E., 30 MILLION TOHS/YEAR, HENCE PIW FIGURE MAY BE CORRECT.). OFFICIAL SAID THAT GERMAN STEEL COMPANIES HAD MADE OIL PRICE SUFFICIENTLY ATTRACTIVE TO TAKE ACCOUNT OF HIGH TRANSPORT COSTS. HE BELIEVED THAT FIRST SHIPMENT ALREADY AT SEA EN ROUTE HAMBURG. VEBA SOURCE SAID COMPANY WILL REFINES INDONESIAN CRUDE IN GERMANY, AND SELL PRODUCTS ON LOCAL MARKET. VEBA MAY LATER SEEK TO SWAP PERTAMINA CRUDE IN ASIAN MARKETS FOR OIL LOCATED MORE CLOSELY TO GERMANY.

4. COMMENT. VEBA OWNS NO SIGNIFICANT HYDROCARBON SOURCES AND HAS LONG BEEN SHOPPING FOR CHEAP CRUDE WHICH WILL ENABLE IT TO COMPETE MORE EASILY ON GERMAN MARKET. GERMAN PRESS HAS BRUIED PERTAMINA DEAL EVER SINCE KRAKATAU FINANCIAL DIFFICULTIES BEGAN SOME MONTHS AGO.
END COMMENT.
HILLENBRAND

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